Q. **Reference: Reference: 2027 Capital Budget Overview; Response to CA-NLH-013**

a) Hydro states that Chart 1 demonstrates that the 2019 Capital Expenditures escalated by inflation in relation to actual and forecast expenditures through 2027. Identify the inflation rates used in preparing Chart 1.

b) Provide details of the cost factors, such as contract/labour pricing and procurement, that have led to the cost increase to install a 65-foot pole (from approximately $2,000 in 2021 to $24,000 in 2025).

A. **a)** Newfoundland and Labrador Hydro ("Hydro") escalated 2019 capital non-labour costs using the Gross Domestic Product ("GDP") deflator; 2019 capital labour costs have been inflated using historical Stats Canada data and internal labour inflators. Those values are provided in Table 1.

Table 1: Labour/Non-Labour Inflation Factors 2020–2027

	2020	2021	2022	2023	2024	2025	2026	2027
Labour Inflation Rate	1.20%	2.22%	3.27%	4.66%	0.30%	4.86%	3.00%	3.00%
GDP Deflator Assumption	1.03%	7.80%	7.90%	1.55%	2.73%	2.56%	3.15%	1.45%

b) The cost of installing poles is highly variable and depends on many factors including but not limited to terrain, pole type, and market competition at the time of procurement. Hydro notes that the comparison between 2021 and 2025 costs for installing a 65-foot pole were included as an illustrative example, demonstrating the general trend in contract costs for this type of work. This trend continues to be observed, with 65-foot pole installation costs for one contract awarded in 2026 ranging from approximately $14,000 to $22,000. While Hydro does not have visibility into the factors that drive contractor costs, this trend is generally consistent with more general observations, such as increased material costs, and increased contract costs.

The increased costs have been observed across multiple bids by multiple proponents, suggesting a general market trend of increased costs for this type of work.